

Message Text

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ACTION NEA-10

INFO OCT-01 EA-10 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15
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FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 8189
INFO AMEMBASSY TOKYO

C O N F I D E N T I A L CAIRO 11228

E.O. 11652: GDS
TAGS: EFIN, EAID, EG, JA
SUBJ: JAPANESE CONCERN OVER EGYPTIAN LIQUIDITY POSITION

REF: (A) TOKYO 5938, (B) CAIRO 10679

1. JAPANESE EMBASSY FIRST SECRETARY (COMMERCIAL) TAKEDA CALLED ON EMBOFF APRIL 18 TO EXPRESS HIS EMBASSY'S CONCERN ABOUT EGYPTIAN NON-PAYMENT OF INSTALLMENT DUE UNDER 100 MILLION DOLLAR, THREE-YEAR SUPPLIER CREDIT FACILITY WHICH WAS EXTENDED TO GOE IN 1976. (GOJ GUARANTEED LOAN THROUGH COMMERCIAL BANKS.) EGYPTIANS OWED 10 MILLION DOLLARS MARCH 9 AND THUS FAR HAVE GIVEN NO INDICATION THEY PLAN TO PAY. JAPANESE EMBASSY OFFICIALS HAVE CALLED ON ALI NEGM, DIRECTOR OF INTERNATIONAL OPERATIONS AT THE CENTRAL BANK TO EXPRESS CONCERN. NEGM IN TURN EXPRESSED DISBELIEF THAT BILL HAD NOT BEEN PAID AND EVIDENTLY UNDERTOOK TO FIND OUT WHY. THUS FAR, HOWEVER, NO PAYMENT SEEMS IN OFFING.

2. JAPANESE ASKED EMBOFF'S OPINION OF REASON FOR LATE PAYMENT AND IF THERE IS ANY INDICATION THAT GOE AGAIN FACING LIQUIDITY CRISIS. TAKEDA SAID HIS EMBASSY IS
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FACED WITH DIFFICULT SITUATION IN LIGHT OF EGYPTIAN ARREARAGE AT VERY TIME WHEN THEY TRYING TO PUSH ADDITIONAL AID PROPOSAL (REFTEL). EMBOFF NOTED THAT EGYPTIAN ADMINISTRATIVE PROCEDURES ARE OFTEN VERY SLOW AND FACT THAT SIX-SEVEN WEEKS HAVE PASSED SINCE PAYMENT DUE IS NOT OF ITSELF STARTLING. IN ADDITION, WE HAVE NO INDICATION THAT EGYPT NOW FACES LIQUIDITY SHORTAGE. IN

RESPONSE TO QUESTION ABOUT REMAINING GODE ASSISTANCE, EMBOFF SAID THAT IT IS U.S. UNDERSTANDING THIS MONEY IS NOT NOW BEING RELEASED IN CASH TO GOE FOR PAYMENT OF CURRENT DEBTS. JAPANESE ASKED WHAT THEY MIGHT DO NEXT; EMBOFF SUGGESTED APPROACH TO MINISTER OF ECONOMY EL SAYEH IN ORDER TO APPRISE HIM OF IMPORTANCE MAKING PAYMENT.

3. COMMENT: WE FIND ARREARS IN GOJ SUPPLIER CREDITS SURPRISING. GOE NOT BELIEVED TO BE UNDER SEVERE LIQUIDITY CONSTRAINTS AT THIS TIME AND \$10 MILLION APPEARS SMALL ENOUGH SUM TO HANDLE ON CURRENT ACCOUNT. WE ALSO FIND IT UNUSUAL THAT ALI NEGM COULD NOT PROVIDE JAPANESE EMBOFF WITH FULL DETAILS ON MECHANICS OF TRANSFER. AMONG OTHER THINGS, THIS MAY INDICATE CB IS ATTEMPTING TO ASSIGN PRIORITIES TO AVAILABLE FOREIGN EXCHANGE IN ATTEMPT TO ASSURE AVAILABILITY OF HARD CURRENCY IN EVENT EMERGENCY FOOD PURCHASES ARE REQUIRED. CB PREVIOUSLY HAS BEEN KNOWN TO GIVE PAYMENT ON GOVERNMENT-GUARANTEED LOANS LOWER PRIORITY IN SUCH CIRCUMSTANCES. FROM OUR POINT OF VIEW, HOWEVER, THIS COMES AT A PARTICULARLY BAD TIME AND EGYPTIANS RESPONSIBLE FOR PAYMENT DECISIONS MAY NOT BE FULLY AWARE OF RAMIFICATIONS IT MIGHT HAVE ON FUTURE JAPANESE AND POSSIBLE OTHER DONOR ASSISTANCE. EILTS

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